Balanced Scorecard

Center for Workforce Learning

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Workshop Objectives

- Introduce a framework for building and implementing a public-sector balanced scorecard performance management system.

- Learn how to use a balanced scorecard in a managing-for-results environment.

- Understand how a scorecard system can help align organization effort with strategy.

- Hear about Missouri Balanced Scorecard effort.

Balanced Scorecard Defined

Balanced scorecard is a strategic measurement based system which provides a method of aligning business activities to the strategy, and monitoring performance of strategic goals over time.

What is BSC?

- Balanced Scorecard is a performance measurement system, that:

  - Is derived from vision and strategy.

  - Reflects the most important aspects of the business.

  - Supports strategic planning and implementation.

  - Aligns the actions of all parts of an organization around a common understanding of its goals.

  - Facilitates the assessment and upgrade of strategy.

Benefits of BSC

- The benefits of applying Balanced Scorecard are as follows:

  - Balanced Scorecard helps align key performance measures with strategy at all levels of an organization.

  - Balanced Scorecard provides management with a comprehensive picture of business operations.

  - The methodology facilitates communication and understanding of business goals and strategies at all levels in the organization.

  - The balanced scorecard concept provides strategic feedback and learning.

Creating a BSC

- **To create a Balanced Scorecard:**

1. **Identify a vision**. Where is the organization going? By identifying strategies you learn about how you will get there.

2. **Define critical success factors and perspectives**, which means you have to ask what do we have to do well in each perspective. "What do we measure to ensure that everything is going the expected way?"

Creating a BSC

3. **Evaluate your Scorecard**. Consider, "how do we ensure that we are measuring the right things?"

4. **Create action plans and plan reporting and operation of the Scorecard**. How do we manage the Scorecard? Which persons should have reports and what should the reports look like?

How Does BSC Work?

- It's a process of first gathering the scores from top to bottom in the organization and then changing the organization so that the scores improve next time they are measured.

- It's the rudder by which direction changes the company.

Why Change?

- If you are willing to apply the balanced scorecard approach you may be able to change your organization from an event-driven, out-of-condition corporation into a coherent, targeted, strategy-focused organization capable of the fast-market-response and the sustained-growth necessary to thrive in today's marketplace.

Four Different Perspectives of BSC

- **Financial perspective** – which describes what the organization provides its stakeholders with its resources.

- **Customer perspective** – which describes how customers see the organization.

- **Process/Internal perspective** - which describes what actions need to be performed.

- **Learning and Innovation/Growth perspective** - which describes how an organization can stay successful.

Balanced Scorecard is an Efficient Management and Measurement Tool

- **The Balanced Scorecard helps to bring up and answer the following vital questions for the company.**
  - How profitable is which product/ service, which customer?
  - What strategic objectives have been achieved?
  - What processes should be improved? Why? How?
  - How is our standing against our competitors in the marketplace?
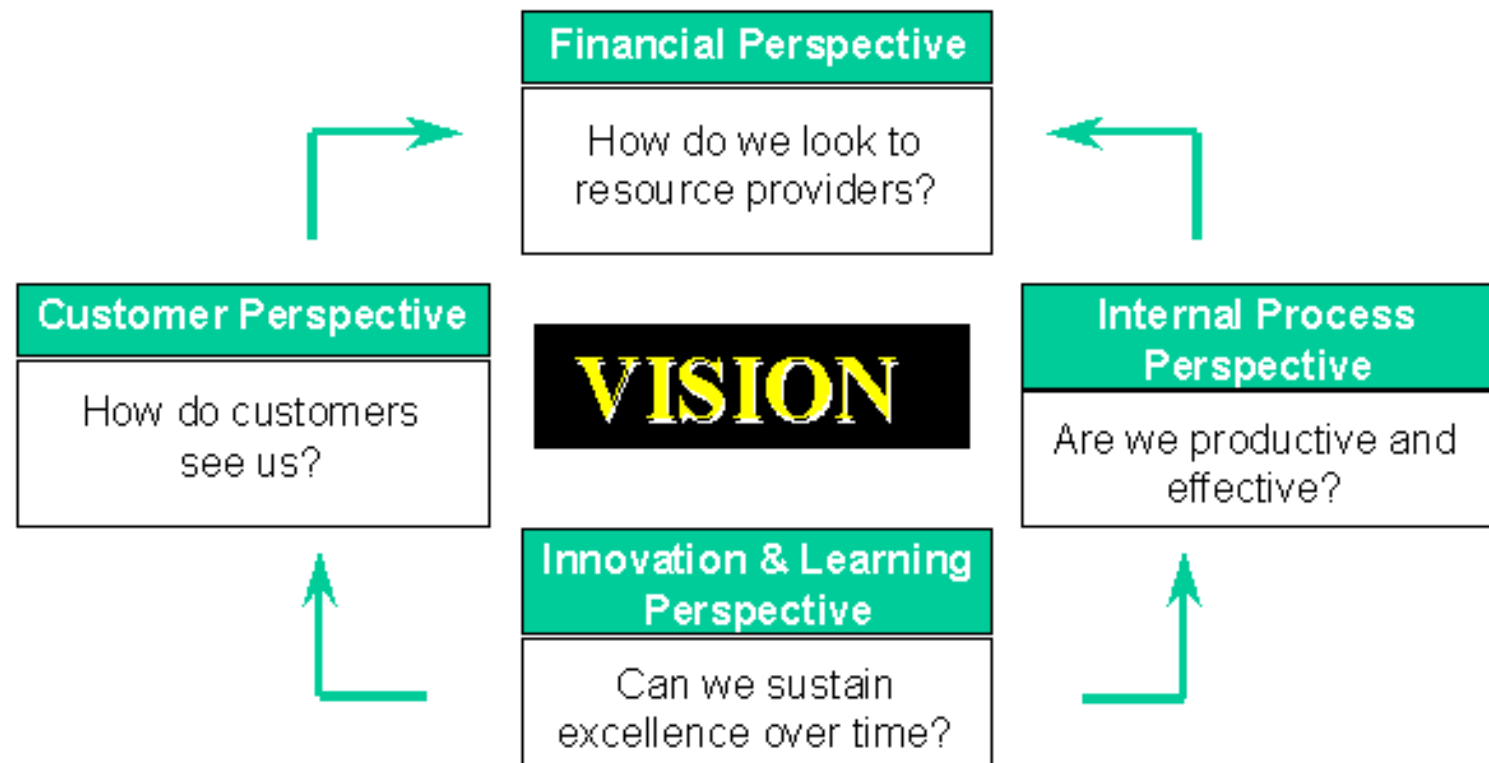 - How is our performance judged by our customers?

The Balanced Scorecard is a Management Concept That...

- ... closes the gap between the overall strategy and the operative business by aligning the whole company to the strategic objectives

- ... focuses on four perspectives through the whole management cycle:

    1. Finance,

    2. Customers,

    3. Internal Processes,

    4. Learning and Growth/Innovation .

The Balanced Scorecard is a Management Concept That...

- ... directs the attention to critical success indicators of the company and thus removes the one-sidedness of the contents of traditional management reports.

- ... considers cause- and- effect relationships between single measures and perspectives (including a possible temporary delay) based on a company model.

The Balanced Scorecard

Financial Perspective

How do we look to resource providers?

Customer Perspective

How do customers see us?

VISION

Internal Process Perspective

Are we productive and effective?

Innovation & Learning Perspective

Can we sustain excellence over time?

Balanced Scorecard - Customer Perspective

- *Customer Care* -Leadership defines, communicates and 'walks the talk' of customer needs through their own active involvement.

    - Customer satisfaction.

- *Market Orientation* -Company 'listens to the customer' to continuously understand their needs and wants.

    - Customer acquisition.

Balanced Scorecard - Customer Perspective

Value Orientation -Company motivates its employees to own and resolve the customer's problems' and commit to the organization's business objectives.

- Customer retention.

Process Orientation -Company engineers its organization, people and technologies into operational processes.

- Customer profitability.

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Customer Perspective
(Example)

Critical Success Factors	Measures
•Satisfy existing customers • Provide service that is important to the customer • Customer perceives the value of the service •Acquire new / retain existing customers (Auxiliaries)	- Growth rate of new customers/ Market share - Lost revenue - Time to deliver service (Vs expectations) - Quality, price of service - Customer assessment of product/service quality - Value proposition: product/service attributes; customer relationship; image, reputation

Typical customer service attributes

- Product / service quality
- Responsiveness
- Timeliness of delivery
- Communication and information
- Technical competence and assistance
- Understanding/anticipating customer requirements
- Cost effectiveness
- Overall satisfaction

Balanced Scorecard – Innovation & Learning Perspective

- Continuous Improvement and Innovation.

- Employee Capabilities and Empowerment.

- Measuring Intellectual Capital and Intangible Assets.

Balanced Scorecard - Internal Processes Perspective

- The examination of how work gets done:
  - What is the "workflow"?
  - How is the paper managed?
  - How are the customers managed?
  - How is the information managed?
  - How are the results measured?
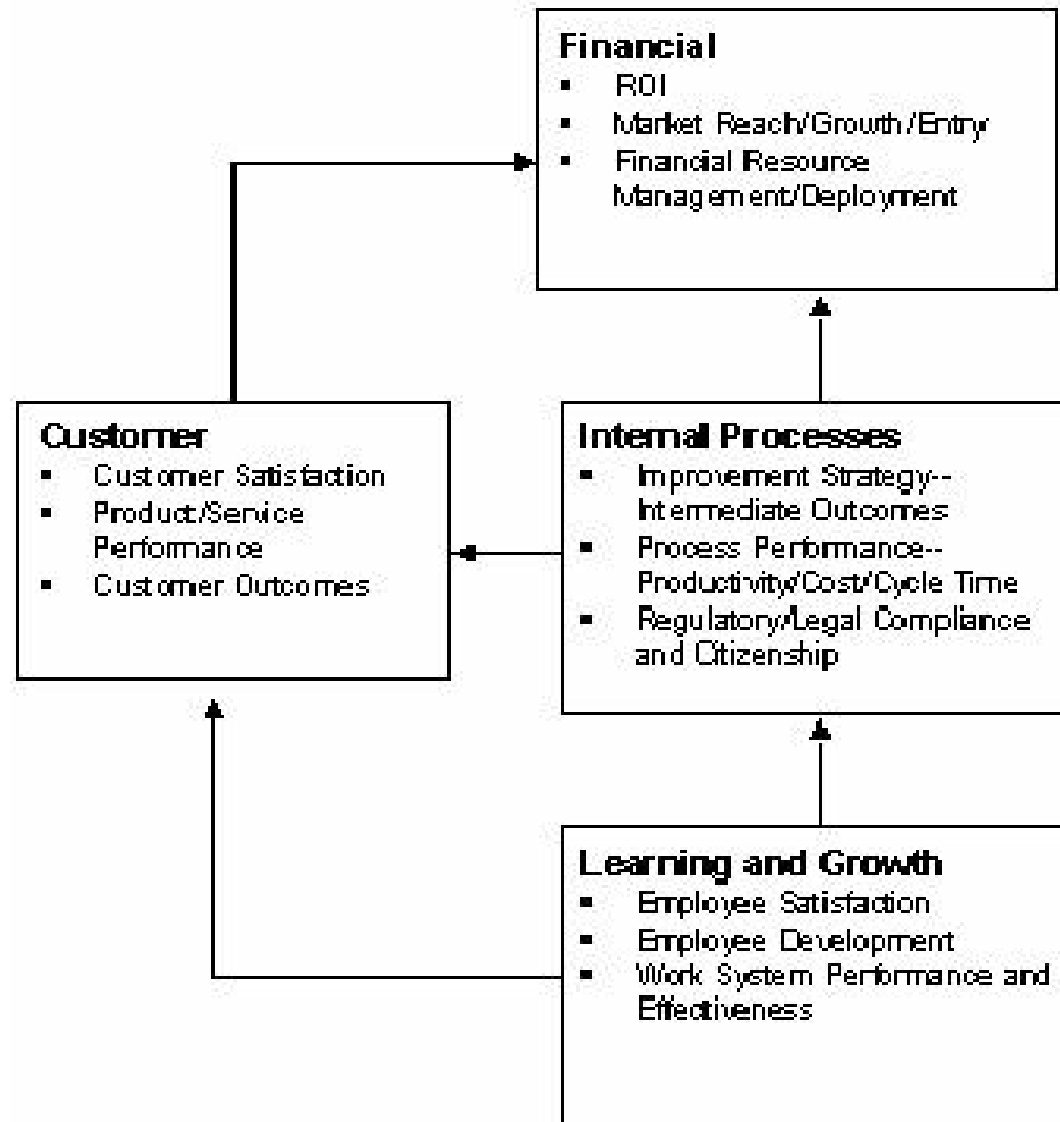
Balanced Scorecard-Financial Perspective

- The basic question is whether or not there is a good return on investment from the public dollars.

- The other issue concerns the effective and efficient use of the dollars among the providers to accomplish the strategic objectives identified.

CHALLENGES

Barriers To Implementation:

- Not measuring "difficult-to-measure" activities.

- Measuring the right things wrong.

- Measuring the wrong things right.

- Antagonisms & competition among managers.

- Breakdown of the BSC implementation process.

- Nobody is accountable for the whole process.

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Balanced Scorecard Framework

Financial
- ROI
- Market Reach/Growth/Entry
- Financial Resource Management/Deployment

Customer
- Customer Satisfaction
- Product/Service Performance
- Customer Outcomes

Internal Processes
- Improvement Strategy-- Intermediate Outcomes
- Process Performance-- Productivity/Cost/Cycle Time
- Regulatory/Legal Compliance and Citizenship

Learning and Growth
- Employee Satisfaction
- Employee Development
- Work System Performance and Effectiveness

The Scorecard is a framework to help us organize and measure our efforts moving from strategy to results.

BSC: Innovation & Growth *example*

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Goals	Measures
•Attract and retain a capable motivated workforce	•Employee satisfaction •Employee retention •Employee productivity
•Workforce skills aligned with the mission	•Skills assessment and gap analysis results •% employees trained in "x"
•Teamwork and cross-training	•% business processes performed by teams •% employees with cross-training objectives

BSC: Internal Business Processes *example*

Goals	Measures
•Highly efficient work processes	•Quality (outputs, rework, waste etc.) •Processing cycle time •Cost to deliver service
•Timely implementation of new policies	•Time to communicate new policies
•Do it right the first time	•The number of errors per service process •Customer complaints

BSC: Customer Service *example*

Goals	Measures
•Retain existing customers	•Loss of business opportunity •Function could be outsourced to competitor
•Satisfy existing customers	•Customer assessment of services/products •The perceived value of service •Time to deliver services
•Customer perceives value of service	•Customer assessment of services/products

BSC: Financial *example*

Goals	Measures
•Reduce costs	•Cost per unit of work performed •Cost of customer assessment & intake
•Reduce operating expenses	•Total operating expenses as a % of total costs
•Increase productivity •Manage risk	•Revenue generated by employee •Share of budget produced from fee based services

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Criteria:	Green	Yellow	Red	Actual #	Goal
Financial -					
% of dollars expended against % of year		X		45%	50%
% of admin of total expenses		X		12.50%	10%
Partner Cost Allocation % charged			X	6%	40%
Customers -					
% of customers satisfied w/quality of service	X			93%	90%
% of customers satisfied w/timeliness		X		72%	85%
% of businesses that are participating			X	15%	50%
Internal Business Processes -					
# of people receiving "core services"	X			153	150
# of people receiving "intensive services"		X		46	55
Retention rate after enrollment			X	68%	85%
# of "demand" occupations training available		X		8	12
Technology "downtime increments"	X			2	3
Growth & Learning -					
Employee turnover rate	X			7%	10%
Employee credentials rate		X		65%	75%
Employee competencies increased via training	X			88%	90%

Key Success Factors

- On going executive support.
- Manageable number of measures.
- Ownership of the measures by the functional areas.
- Technology system support for capturing data.
- Focus on improvement – not punishment.
- Recognize and reward participation and performance.

Missouri: Balanced Scorecard

- Prototype under construction:
  - Job Seeker Measures
  - Customized Training
  - Market Share
  - Customer Satisfaction
  - Local Breakdowns
  - Fields to Include Local Strategies

More Information. . .

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Mystery Shopping, Training, Technical Assistance, Guides, Secret Shoppers, Performance Enhancement Plan Reviews, Balanced Scorecard Development, Service Mapping, Process Mapping, Quality Reviews, Process Reviews, Chartering, Certification, Conference Planning, Registration Support, Baldrige Expertise, Facility Design, RFP Development, Grant Writing, Strategic Planning, Business Plan Development, Staff Certification, Organizational Assessments

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More Information. . .

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